

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6872

BILL NUMBER: SB 346

NOTE PREPARED: Jan 20, 2014

BILL AMENDED:

SUBJECT: Medication Therapy Management and Medicaid.

FIRST AUTHOR: Sen. Grooms

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
☒ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill allows for pharmacist reimbursement for medication therapy management services provided to certain Medicaid recipients beginning July 1, 2015. The bill sets forth requirements that a pharmacist must meet in order to receive Medicaid reimbursement for medication therapy management services.

The bill requires the Secretary of the Office of Family and Social Services (FSSA) to establish a medication therapy management advisory committee.

The bill also requires the FSSA to determine any Medicaid cost savings and improvement in patient quality of care by providing these services and report the Secretary's findings to the General Assembly not later than June 30, 2017.

Effective Date: July 1, 2014.

Explanation of State Expenditures: The bill requires the Indiana Medicaid program to reimburse qualified pharmacists for medication therapy management (MTM) services. The reimbursement must be paid on a fee-for-service basis separate from other drug payments and dispensing services and based on a fair market payment. The reimbursement must also include an incentive component for quality of care and achievement of optimal patient outcomes. The reimbursement is applicable for Medicaid populations covered under a fee-for-service arrangement and within the managed care contracts based on capitated payments, as well as within a pharmacy benefits management contract. Current law allows the Medicaid program to reimburse pharmacist services; this bill provides a more specific framework and schedule within which the reimbursement is to occur. FSSA reported that none of the managed care organizations currently reimburse

for MTM services.

The cost of the program is indeterminate at this time. MTM costs would depend on the level of reimbursement provided, the targeted population for services, and the number of recipients that ultimately participate. Recipients are not required to enroll for services, nor are they required to accept the services offered. MTM reimbursement levels in other states range from \$20 for initial visits with a 12-visit annual cap in Mississippi, to an average payment of \$92.50 per patient visit based on the complexity of care for the individual patient in Minnesota. The programs generally report either a neutral cost effect or savings for programs that are focused on patients with complex medical conditions or specific diseases such as diabetes or asthma. The Iowa program, which targets patients using four or more medications and one chronic condition, reported that the MTM program did not result in any increased Medicaid cost. Minnesota, which targets patients using four or more medications and two chronic conditions, reported savings of \$1.29 per \$1.00 spent on MTM costs. Comparisons between Medicaid programs can be complicated. Indiana currently operates disease management programs within Medicaid. Whether Iowa and Minnesota also operate disease management programs is not known at this time. It is not clear how the outcomes of MTM services provided in Indiana can be separated from results of the existing disease management programs currently operating in the Medicaid program.

FSSA would be required to submit a state plan amendment specifying the MTM services and the eligibility. This process is a routine function of the FSSA and should be accomplished within the current level of resources available to the agency. Provision for the MTM services would most likely occur within the managed care contracts, the pharmacy benefits management contract, and possibly a contractor required to oversee the program. Any additional cost associated with the MTM requirements that would be included in the contracts is not known at this time.

Professional Licensing / Board of Pharmacy: The bill requires the Board of Pharmacy to approve comprehensive MTM education programs that contain the specified elements to permit a pharmacist to meet the requirements established to receive Medicaid reimbursement for MTM services provided. If additional meetings of the Board are required to approve the MTM educational programs as required by the bill, estimated expenses of \$1,100 per meeting would be incurred.

Medication Therapy Management Advisory Committee: The bill establishes an 11-member temporary advisory committee to be appointed by the Secretary of FSSA. The committee is to function from August 12, 2014, to December 31, 2014. Committee members are to serve without compensation. The committee is to advise the FSSA on the implementation and administration of the MTM services program. The bill's requirements are within FSSA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Medication Therapy Management Evaluation: The bill requires FSSA to determine if the provision of MTM services results in: (1) Medicaid cost savings, (2) the amount of any savings, (3) improvements in patient outcomes, and (4) improvements in patient care. In addition to state staff time, this evaluation requirement may result in additional consultant costs. Costs associated with the preparation of the required evaluation and report may be similar to those incurred in the preparation of the December 13, 2013, *Report of the FSSA Aged, Blind, and Disabled Task Force*. Total costs reported for actuarial and other services were \$120,800. The actual amount required for the evaluation will vary depending on the data to be analyzed and the amount of work that can be accomplished in-house. The report is to be submitted to the General Assembly before June 30, 2017.

Additional Information: Medication Therapy Management has been implemented in several state Medicaid programs within the last decade. Mississippi implemented the first targeted program in 2003. The programs generally tend to target the patients eligible for services or are pilot programs. The evaluation of financial outcomes range from programs that did not result in increased costs, to savings in programs with targeted populations within Medicaid, to programs that have been discontinued due to poor patient participation or state budget fiscal constraints. Studies have been performed that claim large returns on investment for MTM programs, often focused on targeted patient populations. But in the presence of other disease management efforts, it is difficult to isolate the impact of MTM on patient costs. The Medicare Part D program (pharmaceutical coverage) currently requires its contractors to offer enrolled participants meeting the parameters in the bill MTM services similar to those required in the bill.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 33% for most current services. Current Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 67%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: [See *Explanation of State Expenditures* for the discussion of federal Medicaid matching funds.]

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA, Indiana Professional Licensing Agency, Board of Pharmacy.

Local Agencies Affected:

Information Sources: NCSL, *Medication Therapy Management: Pharmaceutical Safety and Savings*, Updated March 2012.

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